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**Report on the activities of the Office of Internal Oversight Services**

**Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations**

# Peacekeeping operations*

# Report of the Office of Internal Oversight Services

*Summary*

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5), and 59/272 (paras. 1-3). It covers peace operations oversight activities of the Office of Internal Oversight Services (OIOS) during the 12-month period from 1 January to 31 December 2008.

The Office of Internal Oversight Services issued 199 oversight reports related to peace operations, which accounted for 43 per cent of all recommendations put forward during the period. Assignments conducted underscored the need for the Organization to develop a formal internal control framework to ensure that risks are managed consistently and systematically through focused control processes across the Organization.

* For the report on the activities of the Office of Internal Oversight Services, excluding peacekeeping oversight activities, see A/63/302 (Part I) and Add.1 and 2).

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# Preface

I am pleased to submit to the General Assembly a report on the activities of the Office of Internal Oversight Services (OIOS) covering the Office's findings in peace operations for the 12-month period ending 31 December 2008.

Owing to the length limitations of General Assembly reports, only select findings could be included in the present report. However, pursuant to paragraph 1 (c) of General Assembly resolution 59/272, all OIOS reports are available to Member States upon request (the full list of all OIOS reports is available on the United Nations website[1]). OIOS notes that this increased transparency will empower the Assembly by providing it with better insight into the operations and work of the Secretariat. Transparency is a conduit to improve the Organization and to establish the culture of responsibility and accountability envisaged by the Secretary-General and the Assembly.

In the past 12 months, OIOS expanded its field audit presence with the establishment of resident auditor offices in two peacekeeping missions, the African Union-United Nations Hybrid Operation in Darfur (UNAMID) and the United Nations Mission in the Central African Republic and Chad (MINURCAT), continued to engage in the process of reform in the Investigations Division to better leverage efficiency gains, and conducted its first programme evaluation of a United Nations peacekeeping mission. Also notable in 2008 were the Office's risk-based workplans for audit, inspection and evaluation assignments. The compilation of these workplans are the result of numerous risk assessments conducted on the basis of OIOS methodologies aimed at aligning the priorities of the Office with the risks faced by the Organization. This work is of significant importance as an incentive and assistance for management as they discharge their responsibility for programme results. Additionally, the risk assessments have provided OIOS with a better understanding of its subject entities. In particular, the Internal Audit Division found that the auditees took a keen interest in the risk assessment exercise and recognized its relevance to the work of internal audit as well as to their own work. Additional achievements in 2008 are highlighted in part I of the report.

Overall, the results summarized in the report largely mirror what has been observed repeatedly in the past: substantial deficiencies in internal control have exposed the Organization to unnecessary risk and in some cases have facilitated the mismanagement and misuse of resources. Lack of standard operating procedures, poor planning and inadequate management and recordkeeping are just a few of the types of repeated deficiencies highlighted. It must be stressed that the establishment and the exercise of proper internal controls are a core responsibility of management.

As I have stated on previous occasions, the adoption of and adherence to a formal internal control framework will help foster an environment conducive to successfully fulfilling the Organization's mission through strengthening accountability and transparency. The framework would outline management's responsibility over the control environment, risk assessment and control activities, among other things, which unfortunately is currently absent.

The Office of Internal Oversight Services remains fully engaged in assisting the Secretary-General in fulfilling his oversight responsibilities in respect of the

[1] http://www.un.org/Depts/oios/pages/rep_and_pub.html.

resources and staff of the Organization. The Office wishes to thank the Department of Peacekeeping Operations, the Department of Field Support, the Department of Political Affairs and mission staff for the support they lend to the Office in the conduct of its duties.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services

23 February 2009

# I. Introduction

1. During the reporting period from 1 January to 31 December 2008, the Office of Internal Oversight Services (OIOS) issued 199 oversight reports related to peace operations. The recommendations issued in those reports represent 43 per cent of all OIOS recommendations issued during the reporting period. The present report provides an overview of OIOS work in these areas.

2. As compared to part I, the present report pertains exclusively to oversight of the peace operations of the Organization. That includes the Department of Peacekeeping Operations, the Department of Field Support, the peacekeeping missions that fall under those departments, as well as the special political and peacebuilding missions led by the Department of Political Affairs or the Department of Peacekeeping Operations, supported by the Department of Field Support.

# II. Overview

## A. Internal audit

3. The Peacekeeping Audit Service of the Internal Audit Division operates through New York and via resident auditor staff based in 11 missions, including the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), the United Nations Mission in Ethiopia and Eritrea (UNMEE), the United Nations Mission in Liberia (UNMIL), the United Nations Operation in Côte d'Ivoire (UNOCI), the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Mission in the Sudan (UNMIS), the United Nations Assistance Mission for Iraq (UNAMI), the United Nations Assistance Mission in Afghanistan (UNAMA), the African Union-United Nations Hybrid Operation in Darfur (UNAMID), the United Nations Mission in the Central African Republic and Chad (MINURCAT) and the OIOS Middle Eastern resident audit office which covers four missions, the United Nations Interim Force in Lebanon (UNIFIL), the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), the United Nations Peacekeeping Force in Cyprus (UNFICYP), and the United Nations Disengagement Observer Force (UNDOF) missions. In 2008, 87 out of the 162 audits in the workplan were completed in various focus areas, as indicated in table 1 below. Fifteen draft audit reports were issued to management for comments. For 14 audits, the fieldwork was completed and the draft reports were being prepared. The fieldwork was in an advanced stage for 22 other audits. Finally, 14 audits were in the planning stage and the remaining 10 were carry-overs to 2009.

Table 1
**Completed audits by focus area**

| *Focus area* | *Number of audits* |
|---|---|
| Financial management | 4 |
| Human resources management | 6 |
| Information technology management | 4 |
| Logistics management | 8 |
| Procurement and contract management | 27 |
| Programme and project management | 5 |
| Property and facilities management | 9 |
| Safety and security | 1 |
| Other areas | 18 |
| Strategic management and governance | 5 |
| **Total** | **87** |

4. In addition to providing audit coverage for peacekeeping and special political missions, resident auditors attend meetings of senior management and provide advisory services as necessary.

## B. Inspection and evaluation

5. The Inspection and Evaluation Division continued to broaden its framework for peacekeeping assessments, shifting its approach from inspections of narrowly scoped operational themes to in-depth programme evaluations with a focus on expected outcomes and achievement of peacekeeping mandates. The approach is further complemented by thematic evaluations focusing on detailed coverage of issues addressing functional, organizational or policy issues that cut across all or several peacekeeping missions. The Division is placed in a unique position to conduct inspections and evaluations of peacekeeping operations by virtue of the independence of OIOS from the Department of Peacekeeping Operations, thus adding value and objectivity to peacekeeping inspections and evaluations. The independence of the Inspection and Evaluation Division is exemplified by the findings from the programme evaluation of UNOCI, an unprecedented evaluation in that it was the first programme evaluation conducted of a United Nations peacekeeping mission. The results of this evaluation will be shared with the General Assembly at its second resumed sixty-third session. Furthermore, in line with the OIOS risk-based approach, the Division has developed and employed a customized risk assessment framework for evaluating peacekeeping operations.

## C. Investigation

### 1. Reports received

6. Between 1 January and 31 December 2008, the Investigations Division received 336 reports of possible misconduct regarding peace operations. These

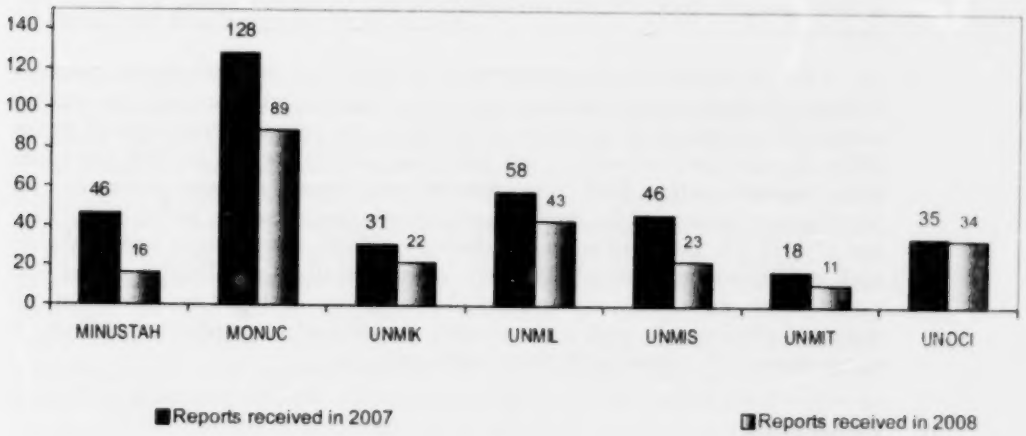
reports comprise more than half (54 per cent) of all reports made to OIOS in 2008. After an evaluation of each report, 81 (or 24 per cent) of the 336 reports received were assigned to an OIOS investigator for investigation, 112 (or 33 per cent) were referred to other departments/offices for investigation,[2] 40 (or 12 per cent) were filed for information, and other action was taken on the remaining 103 (or 31 per cent).[3] Additionally, the then Procurement Task Force received 17 reports of misconduct regarding peacekeeping matters.

7. It should be noted that there was a decrease of 133 reports of possible misconduct (or 28 per cent) in peace operation-related activities received in the reporting period as compared to the previous reporting period. A similar decrease was also reflected in the intake of matters relating to sexual exploitation and abuse, which declined by 44 (or 35 per cent) in 2008. While existing numbers still underscore the need for strengthening efforts to prevent misconduct, particularly sexual exploitation and abuse, it may be posited that the decline in allegations reflects positively on the concerted efforts of the Organization following the report of the adviser to the Secretary-General on a comprehensive strategy to eliminate future sexual exploitation and abuse in United Nations peacekeeping operations (the "Zeid report") (A/59/710). Some of these efforts include, for example, alternative reporting mechanisms for prohibited conduct[4] and enhanced local outreach programmes.

8. Figure I depicts the decline in the number of reports of possible misconduct in select missions from 2007 to 2008.

Figure I

**Comparison of 2007 and 2008 reports of possible misconduct in select missions (As of 31 December 2008)**




[2] See A/58/708 and General Assembly resolution 59/287.

[3] Of the 103, 28 (or 8.3 per cent) were placed on suspense to gather further information, and 75 (or 22.3 per cent) advisories were issued.

[4] See ST/SGB/2008/5.

### 2. Developments

9. The General Assembly, in its resolution 61/267 B, endorsed the report of the Special Committee on Peacekeeping Operations (A/61/19 (Part III)) containing the revised draft memorandum of understanding with troop-contributing countries, which specifies the standards of conduct expected of personnel. The memorandum of understanding assigns primary responsibility to the troop-contributing countries for investigating misconduct or serious misconduct committed by members of their national contingent and thus has a significant impact on the process by limiting the role of OIOS in investigation of misconduct reports against military personnel. The permanent missions of 50 Member States have been informed that the provisions of the revised memorandum of understanding have become an integral part of all signed memorandums of understanding. These provisions are also included in newly signed memorandums of understanding. OIOS, in consultation with the Department of Field Support, is reviewing interim procedures established in November 2005 regarding the conduct of investigations in peacekeeping missions.

### 3. Proposed restructuring

10. The Investigations Division is currently engaged in a process of reform. Part of this process involves the proposed restructuring of the Division, as outlined in the report of the Secretary-General on strengthening investigations (A/62/582). In response to the proposal, the Advisory Committee on Administrative and Budgetary Questions called for fuller justification for the restructuring, including an assessment of the potential impact of the relocation of resident investigator posts in peacekeeping missions to regional hubs (A/62/7/Add.35). Likewise, the Independent Audit Advisory Committee noted that while the proposed restructuring of OIOS had strong conceptual merit, it would have welcomed further discussion in the support account budget report on the cost implications (A/62/814, para. 25; A/63/328, para. 33).

11. OIOS submitted a more comprehensive analysis of the restructuring proposal as well as budgetary implications as part of its budget submission under the support account for peacekeeping operations for 2009/10. The new structure proposed by the Office is organized following a hub and spoke concept, where the hub comprises three regional centres, New York, Nairobi and Vienna, and the spokes are the investigation capacity of the three largest peacekeeping missions, MONUC, UNMIL and UNMIS. The justification for this structure includes several major improvements, such as longer-term financial efficiency, more specialized and flexible operational capacity and global case management. In particular, it should be noted that the increased efficiency in such a restructuring would lead to a reduction of costs of approximately $1 million in the first transitional year.

## D. Challenges

12. The Internal Audit Division continued to experience a high level of staff movement during the reporting period and recognized the need to develop adequate responses in order to minimize disruptions to its audit activities. During the reporting period, the resident audit offices had a vacancy rate of 35 per cent, which resulted in the loss of 330 (or 34 per cent) planned work months for 2008. To cope with this, the Division devoted substantial resources to recruiting resident auditors and

conducted a number of assessment exercises to fill positions in the Professional, Field Service and General Service categories. The Division also enhanced the visibility of its recruitment strategy and increased the use of Galaxy rosters for staff selection.

13. Planned audit activities were also curtailed owing to security concerns. In UNAMID, resident auditors were temporarily evacuated and the deployment of other resident auditors was delayed owing to the deterioration in the security situation. In order to compensate for the adverse impact on productivity in UNAMID and in other missions, including UNAMA and MINUSTAH, the Internal Audit Division deployed its Headquarters staff when required.

14. In the Inspection and Evaluation Division, challenges persisted in terms of its overall capacity to undertake peacekeeping evaluations, as there is only one post (P-4) from the support account budget dedicated to this area. With the current resources, it would take up to 18 years for all current peacekeeping missions to be evaluated just once. The growing span and complexity of multidimensional peacekeeping call for a more regular cycle of independent and methodologically rigorous inspections and evaluations. OIOS has included its request for additional resources in this area as part of its budget submission under the support account for peacekeeping operations for 2009/10.

15. Both the Investigations Division and the Procurement Task Force faced challenges regarding the reluctance of parties to participate and cooperate with the investigative process. Further, with the expiration of the Task Force mandate on 31 December 2008, the Investigations Division had to address the efficient integration of the remaining Task Force cases and ensure the sharing of relevant knowledge and procedures to preserve best practices.

## III. Oversight findings by risk areas

16. The present section summarizes selected findings from the period under review, classified into seven risk categories: strategy, governance, compliance, financial, operational, human resources and information. In the opinion of OIOS, these categories most accurately represent the various types of risk present in the Organization's work environment.[5] Two of the reports summarized in the present section, namely the report of the Office of Internal Oversight Services on the audit of the use of extraordinary measures for UNAMID (A/63/668), as requested by the General Assembly in its resolution 62/232, and the report of the Office of Internal Oversight Services on the programme evaluation of the performance and the achievement of results by UNOCI (A/63/713), will be presented to the General Assembly in full at its second resumed sixty-third session; therefore the Office has limited the discussion of these reports in the present section. A third OIOS report, on the audit of the structure of the Secretariat for managing and sustaining peacekeeping operations, as requested by the Assembly in its resolution 61/279, is not included below; however, it too will be presented at the second resumed sixty-third session.

[5] Findings from the same oversight assignment may be found in several risk categories.

## A. Strategy risk

17. OIOS defines strategy risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Inadequate strategic planning;

(b) Adverse business decisions;

(c) Improper implementation of decisions;

(d) Lack of responsiveness to changes in the external environment;

(e) Exposure to economic or other considerations that affect the Organization.

18. Pursuant to General Assembly resolution 62/232, OIOS conducted an audit of the use of extraordinary measures exceptionally authorized by the Secretary-General for UNAMID. As one of the extraordinary measures, a sole-source contract was established with Pacific Architects and Engineers to provide multifunction logistics services to UNAMID. The audit found that there was inadequate strategic planning in arranging the Pacific Architects and Engineers services and establishing the contract administration function at UNAMID. In particular, OIOS noted that the Department of Field Support had not performed a cost-benefit analysis to justify the use of a sole-source multifunction logistics contract and had delayed the finalization and issuance of a statement of work, which adversely affected the procurement process. As a result, the United Nations was exposed to the risk of unreasonably high prices and unjustified overhead charges. The Department of Field Support stated that the risk to the reputation of the United Nations caused by failure to deploy heavy support package units to UNAMID in a timely manner had been assessed and that it outweighed the risk of selecting Pacific Architects and Engineers on a sole-source basis. While OIOS recognizes the responsibility of the management of the Department of Field Support to determine the level of acceptable risk, it nonetheless considers that it was also their responsibility to adequately manage associated risks by establishing effective controls, especially in administering the Pacific Architects and Engineers contract. However, the audit found that that critical function was not operational. The full findings of the audit will be reported to the General Assembly at its second resumed sixty-third session.

19. The OIOS in-depth programme evaluation of the performance and achievement of results by UNOCI (A/63/713) is based on a review of documents from 2004 to 2008, including the Secretary-General's progress reports on UNOCI, results-based budgeting logical frameworks, performance reports, a staff member survey and interviews, as well as a survey of the local population of Côte d'Ivoire. OIOS notes that the mission achieved substantial progress with regard to the mandated elements under the ceasefire and the humanitarian and human rights components, over which it has direct operational control. However, slow progress was achieved on the mandated elements under the disarmament, demobilization and reintegration, and the peace process, and law and order components, in which the Ivorian parties have the lead role and UNOCI plays its mandated supporting role.

20. In the same report, one notable finding yielded from the local population survey conducted among Ivorians was that UNOCI has generally been able to ensure a secure and stable environment in the country, which the United Nations country team, national parties and external stakeholders noted as vital to the peace

process. Furthermore, the survey shows that the majority of Ivorians appreciate the role of the peacekeeping force in putting an end to the conflict and contributing to stability and security in the country. The survey also found that the local population perceived that the potential for renewed conflict declined more quickly and substantially in areas where peacekeepers were present, in particular in the areas of the former zone of confidence. OIOS also found that the mission's strategic planning needed strengthening. In particular, taking into consideration that the process in Côte d'Ivoire is managed by the Ivorians, who own the process, the mission implementation plan had not been updated on a regular basis and did not give adequate and relevant guidance for mission priorities and strategies. The full results of the evaluation will be reported to the General Assembly at its second resumed sixty-third session.

## B. Governance risk

21. OIOS defines governance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Failure to establish appropriate processes and structures to inform, direct, manage and monitor the activities of the Organization;

(b) Insufficient leadership within senior management;

(c) Absence of promotion of an ethical culture in the Organization.

22. In UNMIS, OIOS substantiated reports that a national staff member had abducted and sexually assaulted a local minor. The matter is pending with the Office of Human Resources Management.

23. In UNOCI, OIOS substantiated reports that two staff members repeatedly used the services of prostitutes, some of whom were reported victims of human trafficking and forced prostitution. Additionally, the evidence showed that five staff members had violated UNOCI policy on the transport of unauthorized passengers in United Nations vehicles. Pursuant to the OIOS recommendation, the Department of Field Support referred the case to the Office of Human Resources Management for appropriate action against the concerned staff members.

24. In MONUC, OIOS substantiated reports that members of a military contingent had employed minors for occasional work within the contingent's military compound, and that children were also used to purchase alcohol, tobacco and marijuana on behalf of contingent members. Moreover, OIOS found that members of the contingent used the services of prostitutes, including minors. Following OIOS recommendations, the Department of Field Support has referred the case to the concerned troop-contributing country for appropriate action; however, to date, the Department has received no response.

25. In MINUSTAH, OIOS substantiated reports that military contingent members had exchanged food for sexual services with two local girls, one of whom was a minor. OIOS also found that the minor had given birth to a baby in a military vehicle and in the company of several peacekeepers on the way from the camp to the hospital. The baby was allegedly fathered by a peacekeeper. Related reports that the second victim had been raped by five soldiers from the same contingent could not be substantiated. Pursuant to the OIOS recommendation, the Department of

Field Support has referred the case to the concerned troop-contributing country for appropriate action; however, to date, the Department has received no response.

26. An audit of the budget process in the United Nations Integrated Mission in Timor-Leste (UNMIT) found that the indicators of achievement stated in the 2006-2007 performance report were in some instances not quantifiable. In accordance with the results-based budgeting guidelines developed by the Office of Programme Planning, Budget and Accounts, indicators of achievement should provide quantitative data on progress towards expected accomplishments. This is necessary to prevent subjective interpretation of data. Without properly developed indicators, the Mission is unable to effectively measure its level of performance. Following OIOS recommendations, UNMIT agreed to develop indicators of achievement that can be adequately measured. UNMIT has subsequently reflected the new indicators in their results-based budgeting framework for 2009/10.

27. In UNMIK, OIOS substantiated reports that a staff member of the Travel Unit had received free air travel ticket upgrades from a local company contracted to provide official air travel to UNMIK and its staff. In particular, it was found that the staff member had used his position for private gain for both himself and the company. Following the OIOS recommendation that appropriate action be taken against the staff member, the matter is pending with the Office of Human Resources Management.

28. An audit of the results-based budgeting portfolio of evidence in MINUSTAH found that some of the supporting documentation for performance reports was incomplete and inaccurate. This was the result of the failure of some programme managers to ensure the proper collection and validation of the portfolio of evidence. The collection and documentation of performance data are critical for demonstrating the Mission's actual achievements and outputs against the planned indicators and outputs for each substantive activity. Following an OIOS recommendation, MINUSTAH agreed to launch an improved results-based budgeting portfolio of evidence database and to review it quarterly.

29. In an audit of United Nations Police, OIOS found that a comprehensive doctrine[6] guiding the operational framework for activities in peacekeeping had not been developed. A doctrine specific to United Nations Police activities that codifies the highest international standards and practices is needed to clearly define responsibilities and govern all aspects of police operations. Such a doctrine would also help facilitate a better understanding of the strategic role of United Nations Police in missions, particularly their role regarding the transfer of essential skills to local police institutions. The lack of a doctrine could impede effective and efficient police operations in peacekeeping missions. The Department of Peacekeeping Operations has accepted the OIOS recommendation and has initiated action to develop a doctrine governing United Nations Police operations.

30. At the request of the Special Representative of the Secretary-General for UNMIK, OIOS conducted a comprehensive audit of the implementation of the UNMIK mandates for police and justice, civilian administration, and economic

[6] The Department of Peacekeeping Operations has defined "doctrine" as a key component for putting in place a comprehensive system of guidance on United Nations peacekeeping that reflects best practices, elaborates policy and establishes standard operating procedures (A/61/743, para. 19).

reconstruction and development. The audit identified failures and deficiencies in implementing the mandates of UNMIK. In particular, OIOS had concerns regarding the management of the transfer of responsibilities to the central government ministries and local municipalities. Significant deficiencies were also noted in the governance mechanisms and internal control processes at the Kosovo Trust Agency, which has major responsibilities for developing Kosovo's economy. OIOS made a number of recommendations to assist UNMIK management in developing lessons learned and preparing for the handing over of remaining civil administration, police and justice, and reconstruction and development functions to the successor organizations. The Department of Peacekeeping Operations did not provide OIOS with its comments on the report, but endorsed the UNMIK response, which did not address the specifics of the audit's findings. The results of the audit were reported to the General Assembly (A/62/807) in June 2008.

31. In MONUC, OIOS substantiated reports that four members of a national contingent sexually exploited and abused local minors and young women, and that one contingent member had assaulted a civilian. OIOS found that the contingent commander had failed to exercise appropriate command and control responsibilities, which directly contributed to the sexual exploitation and abuse. In the course of the inquiry, OIOS could not substantiate misconduct reports against 29 contingent members but recommended that the concerned troop-contributing country further investigate reports against 32 other contingent members. Following OIOS recommendations, the Department of Field Support referred the case to the concerned troop-contributing country for appropriate action; however, to date, no response has been received by the Department.

32. In UNMIL, OIOS substantiated reports that four members of a military contingent sexually exploited 17 local females, including six minors. Similar reports against two supervisors could not be substantiated. However, OIOS found that the supervisors had failed to exercise appropriate command and control over their subordinates, which had directly contributed to the sexual exploitation of the local females. Pursuant to OIOS recommendations, the Department of Field Support referred the case to the concerned troop-contributing country, which confirmed that disciplinary action, including sanctions of incarceration and dismissals from the military service, had been taken against the concerned contingent members.

## C. Compliance risk

33. OIOS defines compliance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from violations of, or the failure or inability to comply with, laws, rules, regulations, prescribed practices, policies, procedures or ethical standards.

34. In MONUC, OIOS substantiated reports that a senior military observer had improperly assisted a licensed civilian diamond prospector and others involved in diamond exploration. A high-ranking member of a national military contingent was also implicated but had been repatriated before the commencement of the investigation. Pursuant to OIOS recommendations, the Department of Field Support referred the case to the concerned Member State for appropriate action; however, to date, the Department has received no response.

35. In MINUSTAH, OIOS did not substantiate reports that a senior official had abused his authority by improperly influencing the recruitment of one of his staff members. OIOS advised the staff member accordingly and closed the matter.

36. In UNMIK, evidence obtained by OIOS did not substantiate reports that senior officials had engaged in misconduct contravening local laws and regulations. The OIOS investigation determined that although certain conduct could be perceived as inappropriate, the officials had acted within their authority to resolve infrastructure deficiencies in Kosovo within impending political and economical deadlines.

37. In an investigation of air charter contracts, the Procurement Task Force substantiated reports that certain agents and representatives had attempted to defraud the Organization through the submission of fraudulent bids purportedly on behalf of a true vendor, in an effort to obtain 10 valuable aviation contracts in several peacekeeping missions. Although the scheme had been perpetuated over a significant time period, the Organization did not suffer any financial loss as the conspirators had not been successful. Nevertheless, the execution of the scheme had placed the Organization at risk of monetary loss. OIOS recommended referrals for criminal prosecution and appropriate action against the air charter company, its agents and its representatives. It also recommended the introduction of new policies and procedures to protect the Organization against similar instances of corrupt conduct.

38. In an investigation of the procurement of air charter services for MONUC, the Procurement Task Force substantiated reports of a scheme to steer United Nations contracts, with a total value of $13 million, to a preferred vendor. United Nations staff members had provided the vendor with confidential United Nations documents and information. OIOS recommended that appropriate action be taken against the United Nations staff members involved and that the Organization suspend the vendor from its vendor database. The matter is pending with the Department of Management.

39. In an investigation into reports of fraud, the Procurement Task Force obtained evidence that a contract had been tainted by fraud. However, due to the non-cooperation of a registered United Nations vendor and contractor with the investigation, investigators were unable to fully examine the nature of the scheme. The Procurement Task Force found that the vendor's conduct was contrary to its obligations as a United Nations contractor under the United Nations General Conditions of Contract. OIOS recommended that appropriate action be taken against the vendor.

40. In an audit of the local committee on contracts in 11 peacekeeping missions,[7] OIOS found that not all committee members and alternates, who by the nature of their function had direct access to confidential procurement information, had filed a financial disclosure form with the United Nations Ethics Office, as required by the Secretary-General's bulletin on financial disclosure and declaration of interest statements (ST/SGB/2006/6). The audit revealed that in some missions, staff members were not aware of the filing requirement. The failure to submit financial disclosure as required could potentially hamper the timely detection and resolution of any actual or potential financial conflict of interest. OIOS issued

[7] MINUSTAH, MONUC, UNAMA, UNAMI, UNIFIL, UNMEE, UNMIK, UNMIL, UNMIS, UNMIT and UNOCI.

recommendations to mission management calling for compliance with ST/SGB/2006/6. The Department of Field Support accepted the recommendation, indicating that the standard operating procedures relating to on-boarding of staff for United Nations peace operations, issued in April 2008 and circulated to missions, provides guidance regarding the financial disclosure requirement.

41. The audit also found that contrary to the United Nations Procurement Manual and good practice: (a) three missions had not promptly communicated the names of the members of the local committee on contracts to Headquarters officials; (b) Members of the committee were not always independent, as on occasion these individuals were also major requisitioners whose procurement cases were presented to the committee; (c) the information and documentation contained in procurement case files were not sufficient to allow the local committee on contracts to deliberate properly or to make informed decisions; and (d) seven of the missions audited by OIOS had not established tracking systems to monitor local committee on contracts pending actions and recommendations. Recommendations were made with regard to these findings.

42. In the horizontal audit of the procurement of core requirements[8] in 10 peacekeeping missions,[9] OIOS identified areas for improving internal controls in the procurement and reporting of core requirements. For instance, MONUC, UNMIT, MINUSTAH, UNMIK and UNIFIL had not fully complied with a delegation of authority statute which required that missions submit a report, within a specific time frame, to the Department of Field Support and the Department of Management with the procurement of core requirements exceeding $200,000. Non-compliance with reporting requirements could impede effective monitoring of the delegation of authority and risk abuse of authority. The missions and the Department of Field Support accepted the OIOS recommendation calling for improved reporting of core requirements purchases exceeding $200,000 in accordance with the relevant delegation of authority. Additionally, the Department of Field Support reminded all missions to submit a report detailing the procurement of core requirements within 30 days of such activity to the Under-Secretary-General, Department of Field Support; the Assistant Secretary-General, Office of Central Support Services; and the Chief, Field Procurement Service.

43. The same audit revealed that UNMIL, MONUC and UNMIT had not determined if core requirements could be procured under existing systems contracts. A 2007 revision of the delegation of authority on core requirements states that if goods or services required are available through already established United Nations Headquarters systems contracts, these contracts should be used. There was no evidence showing that prior to its deliberations, the local committee on contracts had ensured that this condition was met. Failure to determine if core requirements are already available in existing systems contracts could result in substantial inefficiencies and overexpenditure. OIOS made recommendations calling on the missions to ensure that the local committee on contracts, before approving the award of contracts for the procurement of core requirements, confirm that the items

[8] Core requirements are essential goods and services that can be procured locally (for example, fresh food, waste disposal services, potable water, etc). Non-core requirements are all other goods and services.

[9] MINUSTAH, MONUC, UNAMA, UNAMI, UNIFIL, UNMIK, UNMIL, UNMIS, UNMIT and UNOCI.

are not available in a systems contract. The missions accepted the recommendation, and the Department of Field Support has reminded all missions to conduct the required reviews to determine whether core requirements are available from existing Headquarters systems contracts before initiating procurement action.

44. An audit of the supply of food rations and combat ration packs in MONUC revealed inadequate recordkeeping of dry and frozen rations. OIOS found that the majority of contingent food officers were unclear or unaware of the reporting requirements, and that only one staff from the Rations Unit had been assigned to visit all of the 66 contingents spread across the country to ensure that rations were adequately safeguarded. The maintenance of accurate stock records is essential to ensure the efficient and effective management of food rations and combat packs. MONUC accepted OIOS recommendations related to improving stock records and ensuring periodic visits to contingent warehouses to provide guidance to contingent food officers. Accordingly, MONUC has dedicated a staff member to monitor the submission of rations reports.

45. In the same audit, OIOS observed that while reports of the sale of United Nations food rations and combat ration packs in the local market remained ongoing, there was a lack of coordinated efforts among the Office of the Force Commander, Office of the Police Commissioner and the Special Investigations Unit to investigate the sale of rations in the local market. United Nations guidelines stipulate that rations are to be consumed by United Nations personnel only. Any handover of rations or feeding of unauthorized personnel, such as the local population, is not allowed. OIOS recommended that MONUC ensure that reports of rations being sold in the local market are investigated and corrective or disciplinary action taken against culprits. The Mission indicated that it was following up on all pending cases for corrective action.

46. The audit of transport operations in MONUC found that the Mission had not accounted for the spare parts of all 97 cannibalized vehicles as required by the Surface Transport Manual, thereby posing a risk of financial losses to the Organization. The Mission explained that salvaged spare parts of cannibalized vehicles were used to repair other vehicles. MONUC accepted OIOS recommendations related to the maintenance of inventory records and dissemination of relevant procedures. As of March 2008, the Mission had issued instructions on the cannibalization of damaged vehicles.

47. In an audit of the management of non-expendable property in UNMIS, OIOS found that a significant value of non-expendable property could not be accounted for. For instance, 304 non-expendable items belonging to the Communications and Information Technology Section valued at $1.23 million could not be located. Although 161 items valued at $0.9 million were subsequently accounted for, the difficulty in accounting for the assets was mainly due to poor recordkeeping. UNMIS accepted OIOS recommendation for improved property management and advised that 100 per cent of the assets would be verified by 30 June 2009.

## D. Financial risk

48. OIOS defines financial risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Failure to obtain sufficient funding;

(b) Inappropriate use of funds;

(c) Inadequate management of financial performance below expectations;

(d) Inappropriate reporting and disclosure of financial performance.

49. An audit of the financial management of projects in MINUSTAH revealed that, although the Mission had prepared draft procedures for the disbursement of funds to disarmament, demobilization, reintegration and community violence reduction projects, those procedures were pending Department of Peacekeeping Operations/Department of Field Support approval. As a result of the delayed approval, the Mission went ahead with the disbursement of approximately $440,000 to staff responsible for various projects to procure goods and services on behalf of the United Nations, without the required authorization of the Department of Management. There was thus the risk of financial loss to the Organization. MINUSTAH has accepted OIOS recommendation that it establish the appropriate mechanisms and procedures in consultation with the Department of Peacekeeping Operations/Department of Field Support for the financial management of projects in line with United Nations Financial Regulations and Rules. The Department of Peacekeeping Operations clarified that the draft guidelines for the management and administration of quick-impact projects that were circulated for use by all missions were comprehensive. The finalized guidelines have been submitted to Department of Peacekeeping Operations/Department of Field Support senior management for approval.

50. An audit of the United Nations Observer Mission in Georgia (UNOMIG) found that the Mission's bimonthly flights to Turkey were not used efficiently. Although the flights were intended for duty, most passengers on these flights were travelling for operational recuperation breaks, compensatory time off or leave. OIOS found that in cases where Mission flights were not justified because of the low number of duty passengers, the use of commercial aircraft instead of United Nations aircraft could have resulted in annual savings of more than $200,000. UNOMIG has accepted OIOS recommendation and the Department of Field Support has confirmed that the reassessment of the UNOMIG air operations has been carried out and that the last flight to Istanbul took place in September 2008.

51. Audits of financial management projects in UNMIS and MINUSTAH found that the project implementation had been delegated to partner agencies that did not have the relevant capacities and experience to properly execute the work. As a result, the implementation of many projects was severely delayed. For example, more than 70 per cent of disarmament, demobilization and reintegration and community violence projects implemented by MINUSTAH had taken eight months or longer to complete, rather than the three months stipulated by existing policies. In UNMIS, 90 per cent and 80 per cent of projects initiated in financial years 2005/06 and 2006/07, respectively, had not been completed in a timely manner. The missions' failure to adequately assess the concerned executing agencies' ability to provide substantive and financial management of these projects is largely at fault for the delays. OIOS recommended that the missions establish appropriate mechanisms and procedures for the financial management of projects, including thorough reviews of proposed projects. The missions accepted this recommendation and provided a timetable for its implementation.

52. An audit of transport operations in MONUC found that as of June 2007 the Mission had accumulated inventory of spare parts valued at $6.7 million. The Mission's planning requirements were guided by arbitrary estimates for spare parts requirements, which did not reflect historical consumption. Therefore, the Mission used its funds inappropriately, creating the risk of waste and loss of inventory. For example, while actual consumption in 2004-2005 was only $1.9 million, additional parts valued at $3.4 million were procured. The Mission accepted the OIOS recommendation that it improve its planning, budgeting and acquisition practices and ensure compliance with existing guidelines.

53. An audit of construction and use of staff accommodation in UNAMA found that the Mission had not assured best value for money in the procurement of construction services for staff accommodation and proper contract management. In particular, the Mission: (a) had not prepared cost estimates and, therefore, lacked a basis to negotiate prices for various construction materials and tasks; (b) had made bid evaluations which, in certain cases, were flawed and did not provide sufficient justification as to why a vendor was selected; (c) had procured and installed substandard air conditioners that were not safe for use in some units; and (d) had sometimes made payments for construction materials on the basis of inadequate supporting documents. These weaknesses presented the risk of financial loss to the Organization. The Mission has agreed to improve its management of construction projects.

54. An audit of sewage collection and disposal services contracts in UNIFIL found that the Mission's management of its sewage contracts was not adequate. For instance, owing to lack of proper planning, the Mission had amended the contracts three times, thereby raising the not-to-exceed amount from $0.5 to over $2.1. The failure of the Mission to properly manage the sewage contracts precluded the Organization from benefiting from competitive pricing. The Mission has accepted the OIOS recommendation that it improve its planning, particularly where temporary service contracts are involved.

55. An audit of the management of expendable inventory found that UNMIL had not established adequate controls over its expendable inventory, which was valued at $60 million as at 30 June 2008. In particular, OIOS found that there were no standard operating procedures for the management of expendable inventory. Therefore, there was a high risk of financial loss to the Organization resulting from theft, waste and abuse. While the self-accounting units generally relied on Department of Peacekeeping Operations property management guidelines for expendable property control and verification procedures, these were generally inadequate. UNMIL agreed with OIOS recommendations and has issued guidelines on inventory management which have been implemented as of December 2008.

56. In an investigation at UNOCI, OIOS substantiated reports that seven staff members had been involved in fraudulent fuel transactions causing a financial loss of approximately $70,000. Three other staff members had contributed to this fuel fraud by failing to report breaches of the Financial Regulations and Rules of the United Nations. Following OIOS recommendations, the case is with the Office of Human Resources Management pending decision, including financial recovery and criminal referral.

57. An investigation at UNMEE substantiated reports that six members of a military contingent had submitted fraudulent travel claims for financial

reimbursement. Although early detection of fraudulent activities had prevented processing of some travel claims, approximately $380 had not been recovered. Upon the OIOS recommendation, the Department of Field Support referred the case to the concerned troop-contributing country with a request for further investigation and appropriate action. However, to date, the Department has received no response.

## E. Operational risk

58. OIOS defines operational risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Inadequate, inefficient or failed internal processes;

(b) Failure to carry out operations economically, efficiently or effectively.

59. In an audit of the supply of food rations and combat ration packs in MONUC, OIOS found that the contractor had failed to maintain critical stock levels for some items as required by contract. For instance, a review of stock levels of 10 critical items maintained by the contractor in the Kinshasa, Goma and Uvira warehouses identified a shortfall; seven of the items had a stock shortfall of over 93 per cent of the requirements. A review of the 14-day combat ration pack requirements for warehouses in Bukavu, Goma and Entebbe also noted significant shortfalls ranging between 25 and 91 per cent of the requirements. These shortfalls had a direct impact on the ability of the Mission to supply rations to the troops in a regular manner and at the quality required. MONUC has addressed the issue with the contractor. However, despite repeated reminders, the supplier has failed to maintain the required stock levels. The Department of Field Support has stated that the contractor has been penalized proportionally for the non-delivery of reserves and lack of the required warehouse space.

60. In an audit of the supply and management of food rations in UNMIL, OIOS found that the standard operating procedures were outdated and therefore unsuitable as a guide for the intended users. Therefore, there was a high risk of financial loss resulting from theft, waste, abuse and non-compliance with contracts. OIOS recommended that UNMIL expedite the revision of the standard operating procedures on rations to reflect current circumstances and in harmony with the rations contract currently in effect. UNMIL stated that it had updated and circulated standard operating procedures on supply and management of food rations in September 2008. Furthermore, the UNMIL Chief Military Personnel and Administrative Officer had directed all contingents to provide accurate weekly and monthly troop strength reports.

61. In an audit of MONUC, OIOS found that the Chief of Staff, the Chief of Operations, and the Deputy Police Commissioner had not undertaken sufficient visits to staff in the field in order to assess their work and provide the necessary guidance, as required by the Mission's standard operating procedures on police operations. Moreover, the officers who made field visits had not provided their superiors with any formal reports. Field visits are crucial in order to identify and resolve operational problems in a timely manner. The Mission accepted the OIOS recommendation that it ensure that senior police officers conduct regular and frequent field visits and produce reports for the follow-up of identified issues.

62. In an audit of entitlements and allowances of military personnel in UNMIS, OIOS found many instances in which the contingent in Ed-Damazin had not maintained the level of effective force strength of 75 per cent, as required by the Mission's standard operating procedures, thus compromising the contingent's ability to perform its duties. In some months, the actual force strength was as low as 64 per cent of the requirements due to an excessive number of officers on leave. Following the audit, UNMIS developed a daily troop strength monitoring system.

63. In an audit of road repairs and maintenance projects in UNMIS, OIOS found that the Mission had not achieved its performance goals set in 2005/06. The projects called for the upgrade and maintenance of road infrastructure in order to promote the use of ground transportation and reduce air transport costs between South and North Sudan. No progress was made on the planned maintenance of roads except for the installation of two bridges which were completed in an earlier period. A total allotment of approximately $40 million for two years was not used and was subsequently redirected for the construction of prefabricated camp accommodations and office premises. This was a consequence of the lack of definitive plans providing a detailed scope of work, cost estimates and timelines for project implementation and the absence of operational guidelines. OIOS recommended that UNMIS develop road maintenance and operational plans and guidelines to ensure successful implementation of road projects. UNMIS agreed and undertook the preparation of standard operating procedures.

64. In an audit of medical services in MONUC, OIOS found that the Mission did not have comprehensive medical support and contingency plans as required by the Medical Support Manual for United Nations Peacekeeping Operations. As a consequence, medical support services may not be efficiently and effectively delivered in case of medical emergencies. The Mission stated that it did not have adequate staff to meet those requirements, but in line with an OIOS recommendation, it had developed a medical support plan for the provision of medical care to the Mission personnel. Moreover, the Mission was also working on the aspect of adequate medical staffing to meet its medical support needs in all stations.

65. In an audit of the management of contingent-owned equipment in UNMIS, OIOS found that the Mission had not performed the operational readiness inspections in 2007 as required by the Contingent-owned Equipment Manual. Moreover, the responsibilities for reviewing the operational readiness of contingent-owned equipment had not been properly assigned, resulting in confusion among the different participants. As a result, the Mission lacked the necessary information to effectively manage contingent-owned equipment and assure effective operations of the contingents. Although UNMIS explained that the instructions to undertake those inspections were not clear in the Manual, OIOS noted that the inspections had not been conducted primarily because the Mission had not established an achievable inspection plan. UNMIS accepted the OIOS recommendation that it implement the relevant mechanisms to ensure the effective and efficient management of contingent-owned equipment and that it implement an operational readiness inspection programme for all formed military units, in accordance with requirements of the Contingent-owned Equipment Manual. The Department of Field Support has reminded all missions with formed military and/or police units of the contingent-owned equipment/memorandum of understanding inspection and reporting

requirements. UNMIS stated that it had developed a plan for the conduct of operational readiness inspections.

## F. Human resources risk

66. OIOS defines human resources risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to develop and implement appropriate human resources policies, procedures and practices.

67. The audit of the management of non-expendable property in UNMIS found that the release of staff to the Property Management Section by the concerned programme managers had been delayed despite UNMIS administrative instruction 16/2007 which required their release by November 2007. As a result of the delays, the Property Management Section was facing a 20 per cent vacancy rate as at 31 December 2008 and therefore is unable to effectively and fully discharge its critical functions related to the management of non-expendable property. For example, the Property Management Unit, which is responsible for performing physical verification of assets in use, as of May 2008 was functioning with only 12 staff members against 21 authorized posts. Likewise, there was no staff member assigned to handle and manage engineering assets in the sectors and in the team site. UNMIS has accepted OIOS recommendations related to the prompt release of staff members to the Property Management Section.

68. In an audit of United Nations Police in MONUC, OIOS found delays in replacing repatriated police officers. These delays reduced the operational capacity of the Police and posed the risk of programmed activities not being implemented effectively. Delays were attributed to the slow recruitment process of the Department of Peacekeeping Operations and the Department of Field Support. The Mission accepted the OIOS recommendation that it coordinate with the Department of Peacekeeping Operations to ensure timely replacements.

## G. Information risk

69. OIOS defines information risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to establish and maintain appropriate information and communication technology systems and infrastructure.

70. In an audit of the information and communications technology (ICT) governance, strategic management, and security in MONUC, OIOS found that ICT-related standard operating procedures, administrative instructions, and other policies and procedures at MONUC were not adequately documented; they were largely incomplete and/or outdated. This resulted in functional areas creating their own procedures without prior approval from MONUC management. Inadequate or incomplete documentation of policies and procedures could create risks of misinterpretation or non-compliance, and also negatively affect the monitoring and oversight of the Mission's compliance with the ICT policies and procedures. This could, in turn, impede the efficient and effective delivery of programmes and negatively impact on accounting and reporting, and thus result in an elevated risk of loss through irregularities. MONUC accepted the OIOS recommendation that it

review and update the current library of ICT policies and procedures and implement a formal process to ensure their continuous update.

71. In the same audit, 43 in-house developed applications were identified, some of which appeared to have been critical to the effectiveness of MONUC administrative processes. An example of this was an online billing system used to monitor and administer telephone usage across the Mission. However, there was no evidence that an assessment had been undertaken to determine whether the applications would be replaced by, or integrated with new United Nations initiatives, such as enterprise resources planning, customer relationship management and enterprise content management. The consequences of not reviewing the development of in-house applications could lead to duplication of efforts, and interoperability and integration problems. The Mission accepted OIOS recommendation that it undertake a review of all current in-house developed systems and determine whether they would be integrated into the new ICT initiatives.